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Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 TRSE-00 EB-07 SP-02 SS-15 NSC-05 L-02

/044 W
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R 021635Z APR 75
FM AMEMBASSY BONN
TO SECSTATE WASHDC 9101
INFO USMISSION OECD PARIS

C O N F I D E N T I A L SECTION 01 OF 02 BONN 05297

DEPARTMENT PASS TREASURY

E.O. 11652: GDS
TAGS: EFIN, GW
SUBJECT: SIMON/APEL MEETING

1. SUMMARY. FINANCE MINISTER APEL HOPES TO RECEIVE FROM SECRETARY SIMON IN PARIS NEXT WEEK A CLARIFICATION OF THE US POSITION ON A NUMBER OF OUTSTANDING INTERNATIONAL MONETARY QUESTIONS. THE FINANCE MINISTRY REQUESTS ANY INDICATIONS WE CAN PROVIDE OF QUESTIONS SECRETARY SIMON IS LIKELY TO RAISE WITH APEL. END SUMMARY

2. FINANCE MINISTRY ASSISTANT SECRETARY WEBER TODAY TOLD THE FINANCIAL ATTACHE THAT GERMANS HOPED TO GET LATEST US THINKING ON FOLLOWING QUESTIONS DURING PARIS MEETINGS NEXT WEEK:

(A) US POSITION ON IMF QUOTA INCREASE. GERMANS HOPE THAT US CAN GIVE A CLEAR INDICATION THAT WITH REDUCTION TO 15 PERCENT OF VOTES NEEDED TO BLOCK IMPORTANT DECISIONS, THE US WOULD BE ABLE TO ACCEPT TOTAL QUOTA OF LESS THAN 20 PERCENT. GERMANS FEEL THAT ONLY AFTER US DECISION ON THIS POINT CAN DISCUSSION ON QUOTAS OF OTHERS BE USEFULLY PUSHED FURTHER.

(B) TRUST FUND. GERMANS WONDER HOW VIGOROUSLY WE
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CONTINUE TO PUSH IDEA OF TRUST FUND AND WHAT COMPROMISES

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WE ARE WILLING TO CONSIDER ON SALE OF IMF GOLD. GERMANS THEMSELVES CONTINUE TO BE WILLING TO AGREE THAT PROFITS FROM SALE OF IMF GOLD SHOULD GO TO TRUST FUND, BUT THINK THAT SOME METHOD MIGHT BE WORKED OUT WHEREBY GOLD IS FORMALLY RETURNED TO MEMBERS WHO IN TURN PLEDGE PROFIT TO TRUST FUND. GERMANS ARE STILL UNCLEAR ON PRECISE DETAILS (FOR EXAMPLE WHETHER SALE SHOULD BE BY IMF FOR ACCOUNT OF MEMBERS OR BY INDIVIDUAL MEMBERS OR WHETHER MEMBERS SHOULD HAVE OPTION TO RETAIN GOLD AND PROVIDE MONEY TO TRUST FUND FROM OTHER SOURCES. BUT THEY THINK SOMETHING ALONG ABOVE LINES COULD BE WORKED OUT TO WHICH FRENCH MIGHT AGREE.

(C) LEGALIZED FLOATING AND RULES FOR FLOATING. GERMANS ARE NOT INTERESTED IN PUSHING FOR CHANGES IN IMF ARTICLES OF AGREEMENT ON THESE POINTS AND ARE NOT ENTHUSIASTIC ABOUT GIVING IMF STAFF LARGER ROLE IN THIS FIELD. BUT GERMANS WOULD UNENTHUSIASTICALLY GO ALONG WITH US PROPOSALS PROVIDED THESE DO NOT GO BEYOND DRAFTS LEFT BY C-20.

(D) IMF OIL FACILITY (GERMANS HOPE THAT US AND OTHERS WILL AGREE TO MAKE A CONTRIBUTION TO INTEREST SUBSIDY FOR LDC'S.)

(E) IMF SPECIAL FACILITIES (BUFFER STOCK FINANCING, POLICY AFTER PRESENT OIL FACILITY USED UP, ETC). GERMANS WONDER WHETHER WITH COMPROMISE ON OIL FACILITY, THE US HAS MELLOWED IN ITS PREVIOUS OPPOSITION

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TO SPECIAL FACILITIES AND CONDITIONS IN IMF LENDING OR WHETHER US WILL CONTINUE TO PUSH THIS POSITION VIGOROUSLY IN THE FUTURE.

(F) GOLD. GERMANS WILL BE PRESSING FRENCH FOR AGREEMENT TO CENTRAL BANK GOLD SALE AGREEMENT TENTATIVELY REACHED IN EC. IF FRENCH AGREE, THEY WILL WANT TO ASCERTAIN US REACTION (WHICH THEY ANTICIPATE TO BE POSITIVE).

(G) OECD FINANCIAL SUPPORT FUND AGREEMENT. IF LANGUAGE QUESTIONS NOT RESOLVED BY NEXT WEEK, THIS WILL HAVE TO BE TAKEN UP BY THE MINISTERS. GERMAN FOREIGN OFFICE IS NOW MAKING REPRESENTATIONS IN ROME.

3. WEBER REQUESTED THAT IF POSSIBLE WE PROVIDE HIM WITH AN INDICATION OF WHAT ISSUES SIMON WAS LIKELY TO RAISE WITH APEL AND ALSO WHAT ISSUES SIMON WAS NOT PLANNING TO RAISE ON WHICH APEL THEREFORE WOULD NOT HAVE TO BE BRIEFED. THUS, FOR EXAMPLE, WOULD WE BE RAISING IMF BUFFER STOCK FINANCING? ANY PRIOR INDICATIONS OF US POSITION ON QUESTIONS LISTED IN PARA 2 ABOVE ALSO WOULD BE VERY MUCH APPRECIATED BY WEBER.

4. WEBER SAID THAT CHANCELOR SCHMIDT HAD SOME TIME AGO
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CHARGED APEL WITH RAISING WITH SECRETARY SIMON THE QUESTION OF THE RE-EXPANSION OF THE US ECONOMY. BUT WEBER FELT THAT THIS WOULD NOT TAKE THE FORM OF URGING FURTHER EXPANSIONARY POLICIES ON THE US. RATHER WEBER ANTICIPATES THAT APEL WILL URGE SECRETARY SIMON TO DO WHAT HE COULD TO HELP COUNTER THE AIR OF PESSIMISM CONCERNING ECONOMIC PROSPECTS THAT SCHMIDT AND APEL FEEL IS EMANATING FROM THE US AND THUS HELP BRING ABOUT A HEALTHIER WORLD-WIDE ECONOMIC CLIMATE. FINANCE MINISTRY STAFF IS TELLING APEL THAT WITH SIZE OF THE US TAX CUT IT WOULD NOT BE APPROPRIATE FOR OTHERS TO URGE FURTHER STEPS TO EXPAND OVERALL DEMAND IN THE US.
HILLENBRAND

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